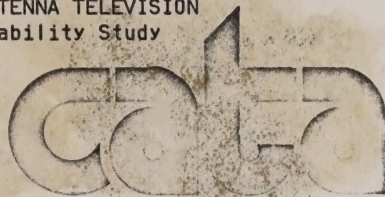


COMMUNITY ANTENNA TELEVISION
Copyright Liability Study

by ...



Community Antenna Television Association



Small, faint, vertically oriented text or a logo on the left edge, possibly indicating the publisher or a series name.

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

The COMMUNITY ANTENNA TELEVISION ASSOCIATION (1) was requested by the Honorable Senator John L. McClellan, Chairman, U.S. Senate Committee on the Judiciary, Subcommittee on Patents, Trade-Marks and Copyrights to prepare a survey and study of the actual operating expenses and net income of the nation's CATV systems.

This study was begun in mid-November. It was conducted in the following manner.

- (1) 1,000 Community Antenna Television Systems selected: From the files of CATA, 1,000 operating CATV systems were chosen to receive a questionnaire / survey form. These systems were chosen in the following manner:
 - (A) Only systems NOT owned by any of the top 25 MSO (multiple system operators) groups were selected. This resulted in a maximum direction of the survey forms to small and medium sized, independent CATV systems.
 - (B) Systems were spread geographically so that a fair representation of survey forms went to systems within every state in the Union.
- (2) What was asked of CATV operators: Operators receiving the forms were asked to go into their own accounting records and complete the detailed survey form breaking down the actual expenses and receipts for the last complete fiscal (calendar) year. Operators were promised that the highly

COMMUNITY ANTENNA TELEVISION ASSOCIATION - CATA
5915 NW 23rd, Suite 217
Oklahoma City, Oklahoma 73127

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

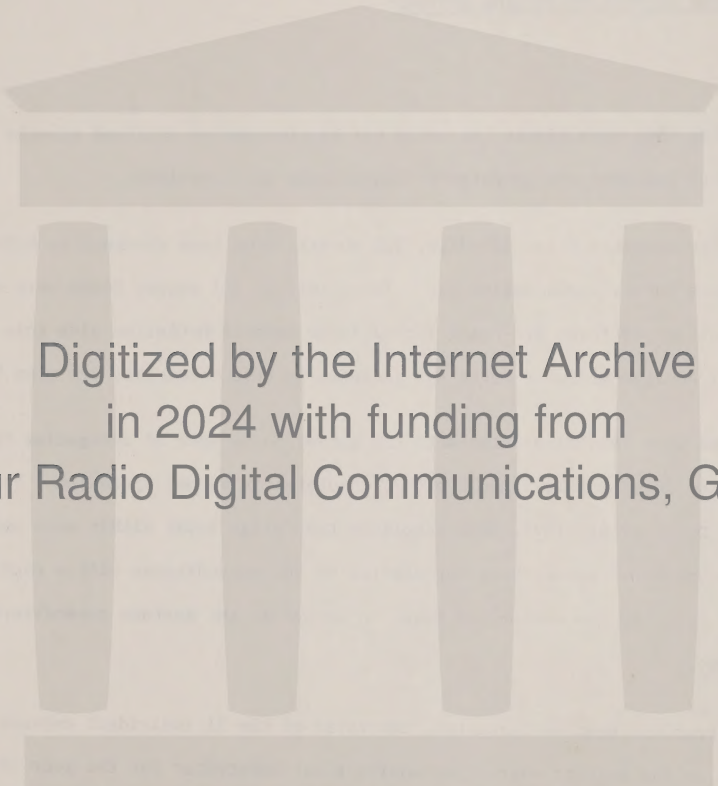
Prologue - continued

confidential material they were disclosing would not be divulged or utilized outside of the CATA office and the Senate Subcommittee on Patents, Trade-Marks and Copyrights.

- (3) **Who responded:** By the December 1 cut-off-date, 191 survey forms were returned to CATA; representing 19.1 percent of those survey forms mailed out. These initial 191 survey forms were utilized in this study. The original survey forms are being turned in to Senator McClellan with this study. Additionally, approximately 60 late-arriving forms not included in this tabulation are also being turned in.
- (4) **How the survey forms were tabulated:** Listed in the survey forms were 21 categories of expenses which the typical Community Antenna Television System accumulates in normal operation. From the 191 survey forms turned in by December 01, 1973, CATA tabulated the dollar total within each category. CATA also tabulated the number of subscribers represented by the expenditures within each category, and divided the dollar total by the subscriber total to arrive at the average expenditure per subscriber within each category.

When all 21 categories had been so tabulated, the total of the 21 individual expense categories was computed to arrive at the average overall expenditure per subscriber for the year 1972.

This resulted in a known expense average for each subscriber in each system in the study. The 191



Digitized by the Internet Archive
in 2024 with funding from
Amateur Radio Digital Communications, Grant 151

<https://archive.org/details/communityantenna00unse>

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

Prologue - continued

systems had a total of 162,336 subscribers.

The survey forms also provided the gross receipts per system. These gross receipts for all 191 systems were added together and divided by the total subscribers represented by these systems; to arrive at the average gross receipts per subscriber for all systems studied.

(5) Refinements of the basic tabulations: Within the master study of 191 systems reporting, several sub-studies were completed. These included:

(A) A separate study of expenses and gross receipts and net profits for 42 microwave-served CATV systems;

(B) Separate studies for systems in the following size categories; 40-500 subscribers; 501-1,000 subscribers; 1001-1,500 subscribers; 1501-2,000 subscribers, and, 2001-5,800 subscribers.

This group of sub-studies concentrated on the impact of the flat 1% (proposed) copyright fee for systems in these size groupings; to determine the ability of systems of various sizes to absorb the proposed copyright fee schedule.

COMMUNITY ANTENNA TELEVISION ASSOCIATION - CATA
5915 NW 23rd, Suite 217
Oklahoma City, Oklahoma 73127

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

Prologue - continued

- (6) Substantiation of survey summaries: All of the survey-study forms received back from Community Antenna Operators, by CATA, are being turned in with this master synopsis, to Senator John L. McClellan. CATA is also turning in its original work sheets which it utilized to tabulate the totals from these study and survey sheets. Verification of any of the synopsis tabulations is therefore possible by simply checking the CATA work sheets against the individual survey sheets, and re-adding/re-subtracting of the appropriate number columns.

Expense Category	# Sys. Rpt.	\$\$ Total All	Lowest \$\$	Highest \$\$	# Subs Total	\$\$ Per Sub. Avg.	# Subs Low	# Subs High
1) Microwave	42	\$ 401,117.	\$ 2,383.	\$ 48,600.	49,149	\$ 8.16	235	2781
2) System Manager	179	\$ 1,796,194.	\$ 300.	\$ 26,400.	157,896	\$ 11.38	40	5800
3) System Tech	117	\$ 922,313.	\$ 340.	\$ 29,387.	122,728	\$ 8.09	61	5800
4) System Tech/Installer	93	\$ 738,555.	\$ 36.	\$ 75,600.	97,251	\$ 7.60	45	5800
5) Secretary	150	\$ 625,332.	\$ 276.	\$ 16,212.	142,503	\$ 4.39	61	5800
6) Office Rent	168	\$ 205,653.	\$ 50.	\$ 6,600.	156,007	\$ 1.32	40	5800
7) Head End Rent	148	\$ 93,900.	\$ 10.	\$ 3,060.	136,206	\$ 0.69	40	5800
8) Electricity	186	\$ 239,931.	\$ 60.	\$ 5,438.	158,904	\$ 1.51	40	5800
9) Insurance/Taxes	185	\$ 628,566.	\$ 40.	\$ 26,395.	160,379	\$ 3.92	40	5800
A) Franchise Fess	124	\$ 178,203.	\$ 1.	\$ 10,945.	121,763	\$ 1.46	101	5800
B) Pole Rental	168	\$ 392,220.	\$ 102.	\$ 15,925.	145,899	\$ 2.69	40	5800
C) Vehicle Op. Exp.	176	\$ 396,367.	\$ 92.	\$ 7,682.	156,510	\$ 2.53	40	5800
D) Subs and Dues	160	\$ 61,787.	\$ 27.	\$ 2,826.	147,637	\$ 0.42	61	5800
E) Legal/Accnting	174	\$ 274,554.	\$ 21.	\$ 27,906.	158,349	\$ 1.73	61	5800
F) System Repairs	185	\$ 659,594.	\$ 100.	\$ 37,724.	160,398	\$ 4.11	40	5800
G) Teleco / Teleg.	154	\$ 99,842.	\$ 12.	\$ 4,200.	145,409	\$ 0.69	61	5800
H) Travel Exp.	139	\$ 87,860.	\$ 13.	\$ 6,313.	139,740	\$ 0.63	90	5800
I) Off. Supplies	172	\$ 119,490.	\$ 18.	\$ 5,534.	150,915	\$ 0.79	45	5800
J) Billing/Collections	131	\$ 131,648.	\$ 12.	\$ 7,844.	117,656	\$ 1.12	40	5800
K) Advertising	142	\$ 104,831.	\$ 4.	\$ 13,164.	141,303	\$ 0.74	61	5800
L) Miscellaneous	151	\$ 162,336.	\$	\$		\$		

Average 155.1 (less microwave)

162,336 all systems total

Gross Revenues \$ 10,414,877.

Expenses-Totals \$ 9,166,052.

Average Net Income \$ 7.34 per subscriber

% of Gross Revenues 11.44 % (before retirement of debt principal, interest and capital expenditures)

MODEL SYSTEM - Number One (a system with microwave service for one or more channels)

- (A) Total systems studied in report - 191
- (B) Total systems with microwave - 42 (21.98%)
- (C) Total system customers with microwave - 49,149 (30.27 % of total customers studied)

(D) Model microwave system has 1,170 subscribers and is typically 7 to 8 years old

(E) <u>Expense Category</u>		<u>\$\$ Spent Per Sub</u>	
		<u>Per Year</u>	
1) Microwave		\$8.16	
2) System Manager		11.38	
3) System Technician (s)		8.09	
4) System Installer (s)		7.60	
5) Secretary (ies)		4.39	
6) Office Rent		1.32	
7) Head End Rent		0.69	
8) Electricity		1.51	
9) Insurance and taxes (*)		3.92	
10) Franchise Fee Payment (s)		1.46	
11) Pole Rental		2.69	
12) Vehicle Operating Expense (s)		2.53	
13) Subscriptions and Dues		0.42	
14) Legal and Accounting		1.73	
15) Repairs to System		4.11	
16) Telephone Service		0.69	
17) Travel Expenses		0.63	
18) Office Supplies		0.79	
19) Billing and Collections		1.12	
20) Advertising		0.74	
21) Miscellaneous		1.00	
<hr/>			
Total Expenses Per Sub		\$64.97	
			Average Subscriber Gross - \$72.70 per year
			(1) for 1170 Subscribers
			in model system\$85,059.00
			(2) per subscriber net after
			operating expenses for
			year 1972 - \$ 7.73
			(3) for 1170 Subscribers, net
			in model system \$ 9,044.10
			(4) less 1% copyright fee pro-
			posed on gross receipts - 850.59
			<hr/>
			New Gross after copy-
			right \$ 8,193.51
			(5) Equivalent 1% off gross as
			percentage of net income 9.40%

MODEL SYSTEM - Number Two (a system with or without microwave service)

- (A) Total systems studied in report - 191
(B) Total systems studied for this model system - 191 (100%)

(C) Model system has 850 subscribers and is typically 6-7 years old

(D) <u>Expense Category</u>	\$\$ Spent Per Sub per year
-----------------------------	--------------------------------

(1) System Manager	\$11.38
(2) System Technician (s)	8.09
(3) System Installer (s)	7.60
(4) Secretary (ies)	4.39
(5) Office Rent	1.32
(6) Head End Rent	0.69
(7) Electricity	1.51
(8) Insurance and Taxes	3.92
(9) Franchise Fee Payments	1.46
(10) Pole Rental	2.69
(11) Vehicle Operating Expenses	2.53
(12) Subscriptions and Dues	0.42
(13) Legal and Accounting	1.73
(14) Repairs to System	4.11
(15) Telephone Service	0.69
(16) Travel Expenses	0.63
(17) Office Supplies	0.79
(18) Billing and Collections	1.12
(19) Advertising	0.74
(20) Miscellaneous	1.00

Average Subscriber Gross - \$64.15 per year

(1) for 850 Subscribers
in model system\$54,527.50

(2) per subscriber net after
operating expenses for
year 1972 - \$7.34

(3) for 850 subscribers, net
in model system \$6,239.00

(4) less 1% copyright fee proposed on gross receipts - 545.27

New gross after copy- right	\$5,593.73
--------------------------------	------------

Total Expenses Per Sub	\$56.81
------------------------	---------

(5) Equivilent 1% off gross as
percentage of net income8.97%

SAMPLE SYSTEMS STUDY

To determine what changes, if any, occur in the net-profit category, as a function of system size (ie. number of subscribers and gross revenues), a sampling of the total of 191 systems was performed.

Systems were broken down into several easy-to-handle categories, and a representative sample within each sub-group category taken. Gross proceeds within the category, net expenses, net profit (1) and net profit-per-subscriber were measured. They follow:

<u>System Size</u>	<u># of Systems Sampled</u>	<u>Gross Receipts</u>	<u>Net Expenses (1)</u>	<u>Profit/(loss)</u>	<u>Net Per Sub</u>
40 to 500 subs	18 (9.4%)	\$298,470.	\$336,697.	(\$38,227.)	(\$7.62)
501- 1000 subs	18 (9.4%)	\$839,619.	\$755,934.	\$83,685.	\$5.97
1001-1500 subs	13 (6.8%)	\$1,003,707.	\$931,658.	\$72,049.	\$4.36
1501-2000 subs	11 (5.7%)	\$1,098,344.	\$942,138.	\$156,206.	\$8.54
2000-5800 subs	10 (5.2%)	\$1,559,034.	\$1,222,460.	\$320,984.	\$12.32

(1 - net expenses: Includes direct operating expenses and does not include (A) principal (debt) retirement; payment of interest on any outstanding principal debt; (C) capital expenditures for new expansion, additions

It is readily apparent from the above that system size has a very direct bearing on cash flow generated by the system. It should also be noted that the Net Per Sub(scriber) column (far right) does not represent profit; that out of this remaining cash flow after expenses the system must retire its debt (both principal and interest) and make capital expansions to increase the system's reach in an ever growing community.

SAMPLE SYSTEMS STUDY

Copyright 1 % Fee - How It Changes Sample Systems Profit or (loss)

The previous page detailed a study of sample systems by system size. The far right hand column showed the net profit (or loss) per subscriber within each system-size category as income was reported for the calendar year 1972.

We will now compare these figures with the added burden of a 1% copyright fee.

<u>System Size</u>	<u>Within Sample-Average Size</u>	<u>Profit/(loss) Per Sub</u>	<u>1% Copyright Fee</u>	<u>Net After Copyright</u>
40-500 subs	278.55 subs	(\$7.62)	\$0.59 per sub	(\$8.21)
501-1000 subs	778.50 subs	\$5.97	\$0.60 per sub	\$5.37
1001-1500 subs	1270.15 subs	\$4.36	\$0.60 per sub	\$3.76
1501-2000 subs	1661.91 subs	\$8.54	\$0.60 per sub	\$7.94

In each case, the 1% of gross revenues copyright fee proposed has a much larger impact on the NET income (after operating expenses but before debt retirement and capital expansions) than the 1% would imply. This impact, as measured in this study, is as follows:

<u>System Size</u>	<u>Net Before Copyright per subscriber</u>	<u>Net After Copyright per subscriber</u>	<u>Percentage Reduction in NET revenues</u>
40-500	(\$7.62)	(\$8.21)	7.7% increase in net loss
501-1000	\$5.97	\$5.37	11.1% reduction
1001-1500	\$4.36	\$3.76	13.8% reduction
1501-2000	\$8.54	\$7.94	7.1% reduction

NOTE: Systems of over 2,000 subscribers in our study had an average return of \$12.92 per subscriber before copyright and \$12.32 per subscriber after copyright; a 4.7% reduction in net revenues because of the 1% copyright liability. The largest system so studied had 5,800 subscribers.

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

SYNOPSIS:

CATA was requested to prepare this study so that the subcommittee on Patents, Trade-Marks and Copyrights might have factual, current data on the true financial picture of the small, independent Community Antenna System Operator.

To the best of our knowledge, this type of hard, factual data has never before been gathered into one concise study by the CATV industry. To a very large measure, the results of this study have depended almost entirely upon the open willingness of the small, independent operator to provide this "raw data." In effect, CATA asked 1,000 system operators to divulge their own, confidential financial information. And to divulge it not only to CATA, but to a group that was proposing to "tax" part of their gross receipts!

COMMUNITY ANTENNA TELEVISION ASSOCIATION - CATA
5915 NW 23rd, Suite 217
Oklahoma City, Oklahoma 73127

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

Synopsis - continued

CATA is providing not only this synopsis study of this survey, but the raw survey forms as completed and turned in by the Community Antenna System operators. CATA believes its synopsis tabulations to be correct, but invites re-tabulation by the Subcommittee.

The study clearly shows that small CATV systems are performing a service far greater than had previously been imagined. The synopsis shows that the typical system with fewer than 500 subscribers is actually losing money (\$7.62) in its annual operations each year. We don't suggest that (A) the study is incorrect, or, that (B) this is not true. We do know, however, that when a man builds a very small system to serve typically fewer homes than 500 cable homes, he takes upon his own shoulders those responsibilities of the system manager, the system technician, the system installer and often the system secretary ... all rolled into one person. This reduces the out of pocket expenditure but makes for very-very long days for the typical small operator.

And if there is a case to be made for relief from the proposed copyright fee schedule for the so-called independent, small operator, it should be with the understanding that the small operator does not hire the vast majority of his work done for him; he does it himself. And that as a full time resident of his community, he is "Mr. Television" to his community; a man devoted to the bringing of quality television signals to his isolated community he lives in and serves.

COMMUNITY ANTENNA TELEVISION ASSOCIATION - CATA
5915 NW 23rd, Suite 217
Oklahoma City, Oklahoma 73127

STUDY OF OPERATING COMMUNITY ANTENNA TELEVISION SYSTEMS

Synopsis - continued

And that if and that is a big if ... he is able to make any rate of return on his investment, it is solely because he is providing, has provided, and will continue to provide a fair service for a fair rate. And because he is not afraid, or unwilling, to perform that service 18 hours per day, 365 days per year.

The study completed here indicates that there is ample reason for an exemption for Community Antenna Television System operators with fewer than 3,500 subscribers. The net rate of return per subscriber, as detailed herein, and before any repayment of indebtedness principal, interest or additional capital expansions, is such that systems with fewer than 3,500 subscribers are typically just treading water.

And directly contrary to the off-repeated view that "small CATV systems are goldmines" (a few undoubtedly are but the average one is not, as this study plainly shows), the small, independent CATV systems need all of the relief that they can get.

CATA respectfully urges the Subcommittee on Patents, Trade-Marks and Copyrights to carefully consider this study in making any final determination for copyright liabilities for CATV systems; and suggests that if systems with fewer than 3,500 subscribers could be re-classified as Community Antenna Systems and be therefore exempted from a copyright fee schedule, that such be done.

COMMUNITY ANTENNA TELEVISION ASSOCIATION (CATA)
5915 NW 23rd, Suite 217
Oklahoma City, Oklahoma 73127

Mr. Kyle M. Moore
President

